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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

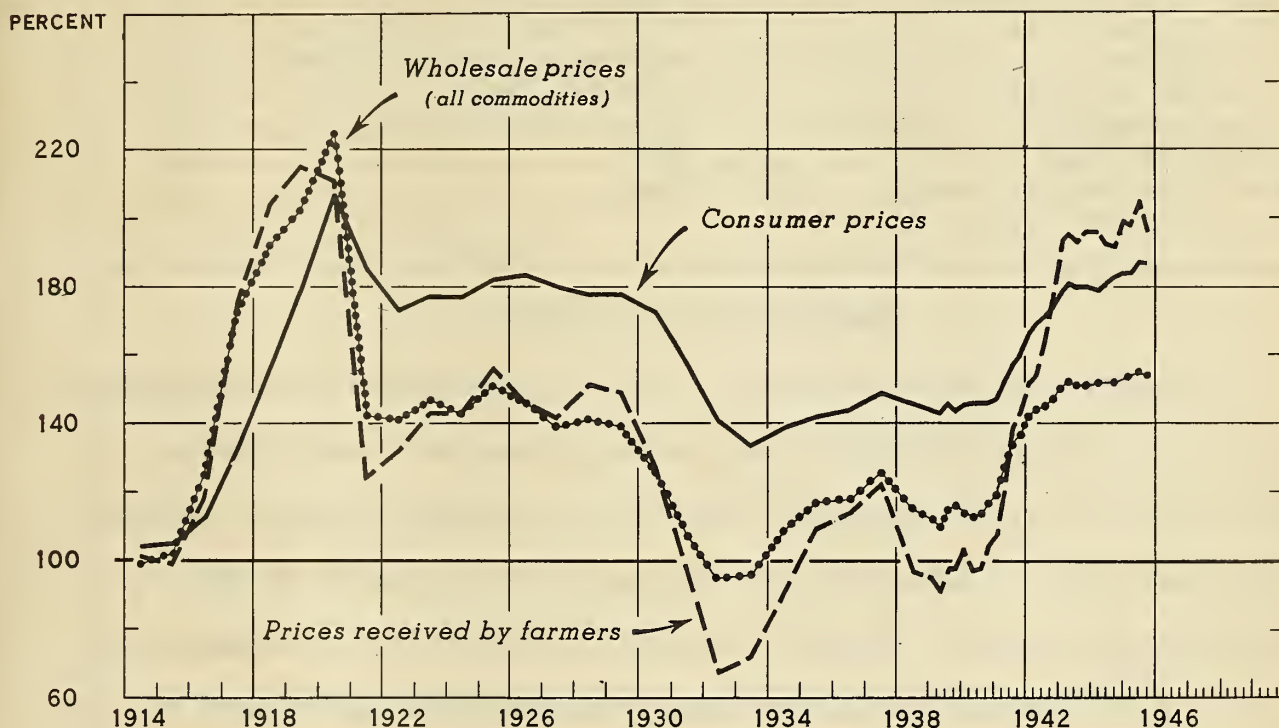
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NOVEMBER 1945

WHOLESALE PRICES OF ALL COMMODITIES, PRICES RECEIVED BY FARMERS AND CONSUMER PRICES, UNITED STATES, 1914-45

INDEX NUMBERS (1910-14=100)

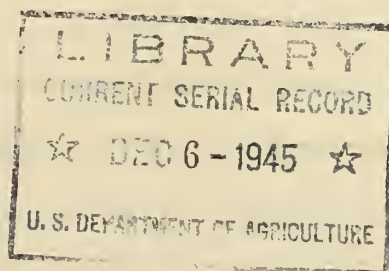


U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

Since 1914, prices received by farmers have been more variable than average wholesale prices of all commodities and much more variable than consumer prices. Consumer prices declined relatively little following World War I and were comparatively high throughout the inter-war period. From 1935-39 to 1945, prices received by farmers rose 87 percent, average wholesale prices rose 30 percent, and consumer prices rose 28 percent, but all three are lower than in the period immediately following World War I.



 THE DEMAND AND PRICE SITUATION

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DEMAND FOR FARM PRODUCTS

The demand for farm products is likely to be maintained at nearly its present high level through the winter, although there may be some decline later in 1946. Civilian demand per capita, which exceeded available supplies of many farm products during much of 1945, may decline slightly in 1946 on account of lower incomes. However, the number of civilians is increasing as the size of the military forces declines. Total consumer expenditures for farm products are not likely to decline significantly in the early part of 1946, in spite of a somewhat lower national income. Individual income taxes have been reduced and people probably will reduce their rate of saving below the high wartime level. Exports of farm products are expected to be considerably lower than during the war but much above prewar, particularly during the first half of 1946.

Nonagricultural income payments have been declining slowly since June and some further declines are in prospect for the next few months. The seasonally adjusted index of 227 ^{1/} for September was nearly 6 percent below

^{1/} Department of Commerce, 1935-39 = 100.

June and the lowest since January 1944. The largest decline, about 8 percent has been in salaries and wages. However, part of the decrease in salaries and wages has been offset by increased payments for unemployment compensation and by payments to veterans. Entrepreneurial incomes and net rents and royalties also have increased .

Industrial production is continuing to decline with the cancellation of Government contracts and reconversion to peacetime output. The seasonally adjusted index for September of 172 2/ was 18 percent below July and 30 percent under the wartime peak in October and November 1943. The largest declines since the end of the war have been in the output of transportation equipment, machinery and chemicals. Moderate increases in production have occurred in a few industries such as textiles and printing whose output had been restricted during the war.

Sales of retail stores are being maintained at a level above last year although slightly below the first quarter of 1945. The seasonally adjusted index of 189 for September was 5 percent above a year ago and about 2 percent below the peak reached in March this year. Retail sales of durable goods increased slightly from March to September, while those of nondurable goods decreased. Retail prices in September were about 2 percent above a year ago and consequently accounted for less than half the increase in dollar volume of sales.

The budget expenditures of the Federal Government for October amounted to 5.9 billion dollars, 38 percent under June and the lowest since October 1942. Much, but not all, of the effect of declining Government expenditures is being offset by increasing expenditures for new capital equipment and consumers' durable goods.

-- November 19, 1945

2/ Federal Reserve Board, 1935-39 = 100.

EMPLOYMENT AND PAYROLLS

Current declines in factory employment and payrolls may soon cause some slight recession from the present high level of domestic demand for farm products. The number of production workers in all manufacturing industries for August 1945 was 11.7 million, 22 percent below the wartime peak reached in November 1943 but still 43 percent above the 1939 average. Most of the decline has occurred in the machinery, transportation equipment and chemical industries. Employment in most nondurable goods manufacturing industries, except chemicals has not declined materially in recent months. In addition to the decline in number of persons employed in manufacturing, there has been a 10 percent decline in the average number of hours worked per week.

The index of factory payrolls has been declining since the beginning of 1945 and for August was nearly one-fourth below January. Factory payrolls per employed worker have declined only about 12 percent during the same period. The decline in payrolls per worker is largely the result of the decline in number of hours worked and the decline in the proportion of workers who are employed in the higher paid industries. The average hourly earnings of all factory workers has declined only 2 percent from the wartime peak reached in January 1945. This decline has all been in durable goods manufacturing and has resulted from the loss of overtime pay. Hourly earnings in nondurable goods manufacturing have continued to increase and in August were 2 percent above January.

Employment in nonagricultural establishments, except manufacturing, was 3 percent larger in September than in January 1945 and 14 percent above the 1939 average. The largest increase in nonagricultural employment in 1945 has been in the construction industry. Employment in construction during September was 63 percent above January but still only about one-half the 1939 average.

The number of unemployed in the United States increased to 1.6 million persons in September and then decreased slightly in October. The decrease in unemployment in October was partly the result of the withdrawal of an additional 800,000 persons from the civilian labor force (the total number working or seeking work). These withdrawals plus an increase of 600,000 in the total number of persons employed (agricultural and nonagricultural) were sufficient to more than offset the number of persons who returned from the armed services to the civilian labor force.

AGRICULTURAL PRICES

Prices received by farmers for most farm products seem likely to be maintained near their present levels for the next few months, but probably will average moderately lower in 1946 than in 1945, particularly if farm production is maintained at a high level. Price declines would, of course, be limited by the operation of the Stabilization Act of 1942, which provides for the extension of price supports at not less than 90 percent of parity (92.5 percent for cotton) to "basic" and "Steagall" commodities for at least two years after the end of the war. If prices of these commodities should decline to mandatory price support levels, they would average about 15 percent below their present levels, assuming no change in the parity index of prices paid,

interest and taxes. "Basic" and "Steagall" commodities have accounted for about two-thirds of cash farm income in recent years. However, the prices of most farm products are not likely to decline enough in 1946 for mandatory price supports to become necessary.

The index of prices received by farmers for October was 199. This is 2 points above the previous month but 7 points below the peak reached in June and July. The rise in the index over September was largely the result of higher prices received for grains, cotton and truck crops. The average price of beef cattle declined moderately.

The parity index of prices paid, interest and taxes for October was 175, the highest since 1920 but only 5 points above October 1944. During the past year prices paid by farmers for clothing, furniture, building materials and seed have increased moderately. Prices of livestock feed are slightly lower than a year ago. Prices of other commodities have shown relatively little change.

FARM INCOME

Total cash receipts from farm marketings in November, in December, and in January are expected to decline less than seasonally from the monthly peak of about 2.3 billion dollars reached in October.

During the first 10 months of 1945 cash receipts amounted to approximately 16,600 million dollars, slightly above the income for the same period in 1944. Cash receipts from crops through October in 1945 were 7,480 million dollars, 11 percent above the receipts through October 1944. Cumulated cash receipts from marketings of crops for 1945 over a similar period in 1944 showed a gain of about one-fifth through July because of greater January 1 carry-overs of crops in 1945 than in 1944. Since July the gain in cumulated cash receipts from crop marketings in 1945 has continually decreased compared with 1944, reflecting slightly smaller crop production and delayed marketings in 1945 over 1944. Cash receipts from livestock and livestock products during the first 10 months in 1945 dropped slightly from 1944 owing to a decline in marketings of meat animals.

Cash receipts from farm marketings in November may be about 2,100 million dollars, 10 percent less than October and slightly below the income of 2,183 million dollars in November 1944. Cash receipts of 1,115 million dollars from crops are 18 percent less than in October and slightly less than in November 1944. Income from nearly all crops is dropping seasonally in November. Cash receipts from tobacco may be maintained at about the October level rather than showing the usual decline of about 30 percent because freeze orders on sales and ceiling prices on high-priced cigar types have recently been discontinued. Income from corn is increasing less than usual as the moisture content is preventing normal marketings. The percentage increase in cash receipts from livestock and livestock products from October to November is expected to be about the same as it has been the last 2 years. These receipts probably will amount to about one billion dollars, nearly as large as in November 1944.

In December total cash receipts from farm marketings may decline less than 10 percent from November, compared with a drop of 15-20 percent in recent years. This relatively small decline would be due to a gain in income from

meat animals caused by delayed hog marketings. Receipts from meat animals usually drop 10-15 percent from November to December. The decrease in income from crops will not be quite as great as has occurred in recent years because cash receipts from the late maturing cotton crop probably will not make the usual decline and income from tobacco may be maintained at close to the November level because of relatively large sales of some of the more valuable types.

Cash receipts from farm marketings in January 1946 probably will drop about 5 percent from December compared with a usual decline of about 10 percent. The decrease of 15 percent or so in cash receipts from crops will be about the same as generally occurs with most crops making the usual seasonal change. Income from livestock and livestock products is likely to remain about the same as in December rather than dropping 5 or 10 percent as has been the case in recent years.

LIVESTOCK AND MEATS

The Economic Stabilization Administrator on November 8 announced the Government's plan for the elimination of virtually all livestock and meat subsidies by mid-1946. The original "roll-back" subsidy of \$1.30 per 100 pounds liveweight paid to hog slaughterers is scheduled to end not later than March 31, 1946. The remaining pork subsidy of 40 cents per 100 pounds, paid to eliminate a squeeze on packers' margins, is to end not later than June 30, 1946; and so are subsidies to cattle slaughterers, and direct subsidies to farmers on slaughter cattle and on sheep and lambs sold for slaughter. However, the announcement said no final determination had been made as to the ending of the payments to nonprocessing cattle slaughterers. Subsidies paid to slaughterers and to farmers now average about \$2.10 per 100 pounds live weight for all meat animals marketed for slaughter, about \$3.35 per 100 pounds for meat at the wholesale level, and about \$3.95 per 100 pounds for meat at retail. Average meat prices probably will not rise sufficiently to prevent lower average returns to farmers and ranchers for all meat animals except possibly lambs, in the latter half of 1946 than in the latter half of 1945, even if ceilings are raised. Over-all meat production in 1946 is now indicated to be moderately greater than that of 1945. And production at around 160 to 165 pounds per capita in 1946 is likely to be about equal to the effective demand by civilians, the military, and for export, at current meat prices.

Hog prices in 1946 probably will average nearly as high as in 1945. Prices may average about the same in the first half of 1946 as a year earlier. Prices are likely to fall below current levels in the late spring and early summer of 1946 when the large 1945 fall pig crop is marketed in greatest volume. If the 1946 spring pig crop is no larger than the spring pig crop of 1945, pork prices at retail probably will be about as high in the fall and winter of 1946-47 as in the current season. With current processor subsidies to be discontinued, this will mean a moderate decline in the price of hogs compared with the current level. Prices of barrows and gilts at Chicago are now at the ceiling of \$14.85 per 100 pounds.

A 1946 spring pig goal of 52 million head and a schedule of support prices for hogs covering the marketing period of the crop were announced by the Department of Agriculture on October 23. The goal is about equal to the 1945 spring pig crop. The previously announced support price of \$13.00 per 100 pounds for good and choice barrows and gilts of all weights, Chicago basis, to

September 1, 1946 was extended to September 30, 1946. The new support price for the hog-marketing year beginning October 1, 1946 varies seasonally for the first time, from a low of \$10.75 in December 1946 to a high of \$13.25 in September 1947, and will average about \$12.00 for the year. On the basis of the present parity index, \$12.00 at Chicago is about equivalent to 90 percent of the parity price for hogs, the support price level required under the Steagall Amendment. Announced support prices for most of the war period have been considerably higher than the legal minimum.

Prices of most grades and classes of cattle in early November were higher than a year earlier. In recent weeks large numbers of top good and choice steers have sold at the ceilings as well as loads of heifers of comparatively light weights. Prices of the lower grades of cattle have declined less than seasonally this fall. Cattle prices are expected to continue near present levels in the early part of next year. Cattle feeding during the current feeding season promises to be large, with the total number to be fed expected to be greater than a year earlier. Despite a high level of cattle feeding, with a continuing strong demand for better grade beef, prices of the better grades of cattle during the winter and spring of 1946 are likely to decline little from present levels. However, the announced removal of subsidies on cattle (except those to nonprocessing slaughterers) may result in the marketing of a larger-than-usual proportion of the cattle fed this winter before midyear. Also the feeding of a large number of cattle on soft corn this winter will tend to bring early marketings of fed cattle. Cattle prices in the latter half of 1946 probably will average moderately lower than in the same period of 1945. If ceiling prices on meat are raised, prices of the better grades of beef probably will advance, but the rise in prices probably will not fully compensate for the withdrawn subsidies. The supply of low-grade beef for civilians next year will be large, with continued large beef production in prospect, and because of much lower requirements for canned beef by the armed forces. Prices of the lower grade beef probably will advance little, if any, after midyear 1946.

The number of lambs to be fed in the current winter feeding season probably will be smaller than a year earlier but will continue large. With continuing subsidy payments to growers through June 30, 1946, returns from sales of lambs probably will average higher during the first half of 1946 than in the first half of 1945. With a continuing strong demand for lamb and with a smaller lamb crop in prospect next year because of the continuing decline in numbers of breeding ewes, prices of lambs probably will decline less than seasonally in the latter half of 1946.

DAIRY PRODUCTS

Prices received by farmers for whole milk sold at wholesale are likely to continue at present levels for some time, but may average lower in flush-production season than in the same period of 1945 if price ceilings on dairy products are continued at present levels. If ceilings are removed early in 1946, prices of whole milk probably will average at least as high as in 1945. The key to the price situation in the flush-production season lies mainly in the price of butter. A further increase in or the removal of the ceiling on butter prices would be followed by diversion of some milk to butter production, now at the lowest level in over 20 years, and a strengthening of prices received by farmers for both butterfat and whole milk.

Effective November 1, the processor subsidy on butter of 5 cents per pound was discontinued and wholesale and retail price ceilings on butter were raised an equivalent amount. These actions do not change the situation with respect to prices received by farmers for butterfat, which continue stable.

The end of the war did not immediately affect the price structure for dairy products. Total demand continues to exceed supply at ceiling prices. However, because of reduction in noncivilian procurement, prices received by manufacturers for some of the minor products showed some decline during September, particularly for powder. With a larger portion of milk being utilized in fluid form and a seasonal increase in butterfat content, the average price received by farmers for whole milk in mid-October was slightly higher than in mid-September. The average price received for butterfat in mid-October was about unchanged from the previous month and from October 1944.

The end of the war and elimination of most war directives did, however, affect the utilization of the milk supply. Large contra-seasonal increases in the consumption of fluid cream occurred during September and October. Offsetting this were more than seasonal decreases in the production of butter and dried whole milk, particularly, and to a lesser extent American Cheddar cheese and evaporated milk.

POULTRY AND EGGS

Chicken meat prices during the first half of 1946 are not expected to be much different from present levels, reflecting seasonally decreasing supplies and continuation of a high level of consumer purchasing power. The average price received by farmers for chickens in mid-October was 4.3 cents below the all-time peak of 28.6 cents per pound reached in mid-August. Wholesale and retail prices probably will be close to ceiling levels. This is in contrast to the situation which existed during the first half of 1945 when the supply of chicken meat was insufficient to meet demand and some sales far above ceiling prices took place.

Egg prices probably will decline more than seasonally after November, the extent of the decline depending largely on export demand. Production during the first half of 1946 will be about the same as in the corresponding period of 1945. Civilian demand, though stronger than in recent years, may not be as strong as in 1945 when a record consumption of about 390 eggs per person occurred, in part owing to shortages of meat.

Prices received by farmers for eggs on October 15 averaged 42.6 cents per dozen, 98 percent of parity, and nearly 4 cents above mid-October 1944. Since V-J Day egg prices have fluctuated widely, especially lower grades. From August 23 to September 13 wholesale quotations of "current receipts" at Chicago declined about 5 cents per dozen. Since that time, however, prices of such eggs have increased 12 cents per dozen and on November 13 were at ceiling levels. A well sustained civilian demand, despite the cutbacks in Army procurement, has been largely responsible for this situation.

FATS, OILS, AND OILSEEDS

Returns to flaxseed producers for the 1946 crop will be supported at an average of \$3.60 per bushel, Minneapolis basis, according to a recent announcement. This would be equivalent to an average return of about \$3.40 per bushel at farmers' local delivery points. Local prices received by farmers for flaxseed in the first 4 months of the 1945 season (July-October) averaged \$2.89 per bushel. In addition, flaxseed farmers were eligible this year for payments of \$5 per planted acre, equivalent to 58 cents per bushel on the basis of the national average yield of 8.6 bushels per planted acre. With the guarantee of a high return per bushel, farmers probably will maintain flaxseed acreage at a relatively high level in 1946. The 1945 planted acreage was 4.1 million compared with 3.1 million acres in 1944.

Heavy rains and cold weather in early October in Texas, Oklahoma, and Arkansas reduced the indicated production of cotton and peanuts. In the Midwest, October harvesting of soybeans revealed a smaller yield per acre than had been expected. Pods were less well filled and beans were smaller than usual. Production of oilseeds this year, on the basis of November 1 conditions, would be as follows: Cottonseed (assuming the 1940-44 average ratio between yields of seed and lint), 3,858,000 tons, 21 percent less than last year; peanuts, 2,174 million pounds, 3 percent more than in 1944; soybeans, 191 million bushels, 1 percent below 1944; flaxseed, 35.6 million bushels, up 51 percent from last year. Production of vegetable oils from domestic oilseeds in the 1944-45 crop year may total about 3.4 billion pounds (including corn oil) compared with 3.5 billion pounds in 1944-45.

Supplies of food fats for civilian consumption in the United States in 1946 may average roughly 44 pounds per capita compared with 41 to 42 pounds in 1945, an average of 48 pounds in 1935-39, and a potential demand at the 1945 level of prices of at least 50 pounds per capita. At present ceilings, the most pronounced shortage in food-fat supplies in 1946 will be in butter. Most of the increase in food-fat supplies in 1946 will be due to a rise in output of lard, but a moderate expansion in butter production and declines in exports of butter, margarine, and vegetable oils also are likely.

Soap fats probably will be in somewhat larger supply in 1946 than in 1945 as a result of moderate increases in grease production and in imports of copra. A larger supply of drying oils also will be available, reflecting the increase in the domestic crop of flaxseed in 1945, and a probable increase in imports of Argentine flaxseed and resumption of imports of Chinese tung oil in 1946. Consumer demand for industrial oils and fats will be strong in 1946. In addition, there will be a strong demand for rebuilding inventories of industrial fats and oils.

CORN AND OTHER FEED

Demand and supply prospects indicate that prices received by farmers for feed crops may average about as high in the 1945-46 season as in 1944-45. With large supplies of oats on hand, prices of oats probably will average somewhat lower in 1945-46 than a year earlier, but prices of other feed grains probably will average at least as high. Market prices of better grades of corn and barley are expected to continue at or near ceiling levels throughout most of the 1945-46 season. Prices of oilseed cakes and meals will remain near present levels, at least until Government purchase commitments expire in 1946. Prices of other kinds of byproduct feeds are not likely to decline materially in 1946 from present levels.

Demand for feed concentrates and hay will continue strong for the next few months, but by mid-1946 it may be less strong than during 1944-45. Total production of livestock and livestock products probably will be smaller in 1946 than in 1945, with most of the reduction in poultry and dairy products and in sheep. A strong demand for feed grains is indicated for 1945-46 for food and industrial purposes and for export. However, utilization of feed grains for these purposes probably will be less, in total, than in 1944-45.

Total supplies of feed concentrates for the 1945-46 season, including feed grains, byproduct feeds, and wheat and rye for feed, on the basis of November 1 indications, will be about 159 million tons. This will be slightly smaller than the 1944-45 supply of about 161 million, but larger than average. Feeding rates are likely to continue at a high level during the 1945-46 season, although possibly not so high as the near-record rates in 1944-45. Even with a slightly smaller livestock output in 1945-46, it is likely that the corn and barley carry-overs at the end of 1945-46 will be below the levels reached at the end of 1944-45. Carry-over of oats, on the other hand, probably will be larger next year, because of the very large production in 1945.

Smaller quantities of corn will be marketed during the next 12 months than during the past season, despite the strong commercial demand indicated. Livestock producers in some deficit feed areas and processors are likely to encounter some difficulties again this season in obtaining desired supplies of corn. Marketings of new crop corn have been much smaller than usual, and the peak in marketings this year probably will be at least a month later than in most other years. Marketings of corn usually are largest in October-December.

WHEAT

Cash wheat prices are now generally at about ceiling levels, having advanced since early September. Heavy buying by the Commodity Credit Corporation for export to liberated areas and buying by millers to replace as much as possible of their current grind has been pressing on the quantity of wheat moving into marketing channels. The movement of wheat from farms in the July-September quarter was heavy, with the total farm disappearance, which includes very heavy feeding, the highest on record. However, the movement more recently has been greatly restricted. The quantity of wheat under loan this year has not been of great importance. Up to October 31 only about 43 million bushels were under loan, of which about 2 million bushels were 1944 farm-stored wheat. The total a year earlier was 149 million bushels. On October 31, the CCC owned about 115 million bushels. With prospects that the large demand for wheat will continue, prices may be expected to remain at about ceiling levels.

The general supply and disappearance prospects for 1945-46 still indicate a carry-over in the United States July 1, 1946 of about 300 million bushels, which compares with 235 million bushels, the 1932-41 prewar average. Consumption of wheat as food for both civilians and war services is now estimated at 540 million bushels, feed 170 million, and seed 82 million. The production of industrial alcohol for military purposes was discontinued in September and the production of beverage spirits is so restricted that total use of wheat for these purposes is now expected to total only about 25 million bushels.

The bulk of the supplies of wheat available for export in 1945-46 is in the United States and Canada. Exports from the United States are currently forecast at 300 to 325 million bushels, and exports from Canada may be about the same. Under favorable transportation, marketing and handling conditions, somewhat larger exports would be possible from the United States. Exports from Argentina and Australia are expected to be below the volume in most years. Wheat and flour import needs are still somewhat uncertain for several countries, but there is no longer any doubt that total requirements are very large and that the volume of international trade in 1945-46 will be the largest in 15 years. Many countries continue to have problems in connection with transportation and distribution, and it is probable that bread and flour rationing will need to be continued in most liberated areas.

FRUIT

With markets becoming well supplied with new-crop citrus fruits, especially grapefruit and oranges, prices receded from ceiling levels in early November, and probably will decline more than seasonally this winter. In contrast, prices for fresh deciduous fruits, now coming primarily from storage, are expected to continue generally at or near ceiling levels, rising with scheduled increases in ceiling prices. Prices in early November, compared with a year earlier, were higher for apples and pears, and lower for oranges, grapefruit, lemons, grapes, and cranberries.

Terminal market auction prices for new-crop oranges, mostly from Florida in October, declined in early November as shipments became heavy. Substantial quantities of old-crop California Valencia oranges still were being shipped in early November. With the early and midseason crop moderately larger than a year ago, other foods in generally plentiful supply, and some decrease in consumer income, prices are expected to decline further this fall, perhaps becoming firm temporarily during the Christmas holiday trade, and then dropping lower.

Prices for grapefruit this fall and winter are expected to follow a course similar to that of oranges. Prices at terminal wholesale markets, which had been at ceilings in October, dropped moderately in early November under the impact of increased supplies. The market for 1945-46 crop grapefruit will not have the stimulus of a subsidy on canned grapefruit juice as was true for the 1944-45 crop. With the new crop one-fourth larger than last year, fresh market supplies are expected to continue ample even though larger quantities are canned.

Although prices for lemons on the New York City and Chicago auction markets dropped sharply in early November as demand weakened because of colder weather, they are likely to continue at a relatively high level this fall and early winter. Supplies are now at a seasonal low and will not increase rapidly until a larger percentage of the new crop reaches maturity in early winter.

Prices for the remaining supplies of apples from this year's record-low crop are expected to continue at ceiling levels. In order to allow for increased storage costs resulting from the early apple harvest in the East, ceiling prices were raised slightly above those previously scheduled for November in all States except Washington, Oregon, California, Idaho, and Montana. Cold-storage holdings November 1, compared with a year earlier, were about two-fifths smaller for apples and about one-sixth smaller for pears. Although recent prices for lower grades of pears have been somewhat below ceilings, prices for the preferred varieties and grades are expected to continue at or near ceilings.

Demand for grapes continues strong, with prices for the best quality table and juice varieties at ceiling levels. Because of rain damage to California grapes, reducing the quantity that can be marketed for fresh use, ceiling prices for table and juice varieties were increased slightly in October. Rainfall also damaged raisin varieties while in the process of drying, thus reducing the pack of raisins. The damaged grapes and raisins are being diverted to wine production.

TRUCK CROPS

Truck Crops for Fresh Market

The general average of prices received by growers for truck crops commercially produced for fresh market shipment is now rising seasonally and is expected to continue to do so almost without exception at least through December. Prices in terminal markets for a number of truck crops are moving upward in line with seasonal advances permitted in ceiling price schedules. These prices reflect a sustained demand by consumers, the seasonal ending of sales of tender vegetables from nearby and home-grown supplies, and some delay in harvesting of the more hardy vegetables in the Northeast because of wet weather.

Fall season production of commercial truck crops this year is well above that in 1944 for all crops except celery, and considerably above average, except for green peas and spinach. Early reports on eight commercial vegetable crops for harvest in the 1946 winter season indicate acreages slightly to moderately larger than in the past winter season for beets, cabbage, cauliflower, lettuce, shallots, and spinach, but slightly smaller for artichokes and kale.

The current low prices resulting from the great abundance of certain truck crops has caused price-support operations by the U. S. Department of Agriculture to be undertaken for cabbage, beets, and carrots.

Truck Crops for Processing

Prices received by growers for truck crops commercially produced for processing in the early part of the 1946 season may compare favorably with those received in 1945, despite an anticipated moderate decline in total demand for the entire season. Commercial processors are said to be showing strong interest in supplies presently available and in prospective acreage for 1946. Processors probably will attempt to replenish stocks in commercial trade channels as rapidly as possible, and will again try to capture consumer preference for particular trade brands which may have been unobtainable in retail stores during the war.

Commercial production for processing in 1945 may set a new record-high in the aggregate. Record or near-record production for processing this year has been achieved for kraut cabbage, cucumbers, sweet corn and green peas. Prices received by growers this year are expected to average not far from those of last year, because pre-season contracts were written in expectation of a continuing war and unsatisfied consumer demand, and because prices for the four major processing crops (tomatoes, sweet corn, snap beans, and green peas) were supported by the Government at levels substantially the same as in 1944.

While supplies of some items may be currently short of demand -- for example, canned whole tomatoes, best quality snap beans, and sauerkraut packed in tin -- supplies of canned vegetables in general are at record-high levels and may prove to be more than adequate at current prices.

POTATOES AND SWEETPOTATOES

Prices received by farmers for potatoes in general reflect support levels, although, in areas which lack adequate permanent storage, some growers have been selling below support levels. Now that harvest of the second largest crop of record has been completed, a bountiful supply of potatoes of good quality, size, and condition is assured for this winter and next spring. Substantial quantities will be available for relief purposes and commercial exports, and large shipments to Canada and other countries seem certain.

The regular loan and special (farm storage) loan programs, by which the U. S. Department of Agriculture is supporting the prices paid to farmers, assure growers in general of the opportunity to get prices no lower than the support levels. The support prices for December, effective the first of the month, range from \$2.00 to \$2.45 per 100 pounds for U. S. No. 1 quality, depending upon the area where grown. No further rise in the support level is scheduled for the rest of the season ending in June 1946.

Suspension of ceiling prices on white potatoes, already carried out for the period September 14 to October 25, 1945, has been extended to December 6, upon which date ceilings will be restored automatically to the original schedule if no further action is taken.

Prices received by growers for good quality sweetpotatoes have been at or near ceiling levels in recent weeks, except in Eastern Shore areas where most of the crop moves to market at digging time. Although the 1945 crop of 67 million bushels is about average in size, the still-considerable needs of the military forces for fresh sweetpotatoes and the taking over by the Department of Agriculture of cancelled military contracts for dehydration have left a supply for civilians appreciably smaller than average and slightly smaller than was available to them in the 1944 crop year. Consequently, prices of sweetpotatoes are expected to remain generally above support levels through this winter and next spring. Prices to growers for sweetpotatoes normally reach their seasonal low point in November, and then increase gradually to a seasonal high the following August.

DRY EDIBLE BEANS

Extension of price support on 1945-crop dry edible beans to include No. 3 grade, off-color pea, cranberry, and red kidney varieties grown in Michigan, was announced November 5 by the U. S. Department of Agriculture. This action is expected to facilitate movement of such rain-colored beans into civilian consumption channels. Furthermore, it is expected to result in prices to growers for all beans averaging higher than they would otherwise receive. Because of larger-than-usual cleaning losses, especially in Michigan and New York, the 1945 crop may be only about 12.5 million bags of cleaned beans, one-sixth smaller than in 1944 and the smallest crop since 1936.

COTTON

Spot prices of Middling 15/16-inch cotton have held between 23.00 and 24.00 cents per pound during the month ended November 16. Compared with a range of from about 22.1 to 22.6 cents during August and September, the strong upward tendency appears to have been influenced, in part, by the fact that the

new crop was smaller and the quantity lower than was indicated earlier in the season, and by the prospects for arrangements being worked out whereby American cotton can be exported in considerable volume.

Mill consumption of cotton per working day fell off very sharply in October. Normally, with the vacation season drawing to a close, consumption has shown a distinct tendency to rise in the fall months. However, in October the annual rate of consumption was unofficially estimated by the New York Cotton Exchange to be only 8,161,000 bales. This is the lowest of any month since September 1940 and compares with an annual rate of 8,987,000 bales in September 1945. Among the factors which appear to have been important in the decline were a switch from military to lighter weight civilian lines and, more important, time lost through strikes.

According to the November cotton report, the 1945 crop is estimated at 9,368,000 bales, 500-pound gross weight, of which amount about 56 percent had been ginned by November 1. In the three preceding seasons ginnings as of November 1 had ranged from 70 percent to 81 percent of production. The delay this season was occasioned both by the lateness of the crop and by the difficulty in obtaining enough pickers to harvest the crop more promptly. The delay in picking coupled with adverse weather is causing the 1945 crop to contain an unusually large proportion of the lower grades which already exist in the carry-over in such large volume as to be burdensome.

WOOL

On October 30, the CCC requested dealers and handlers holding Government-owned domestic wool to obtain bids on 10 percent of such holdings which then exceeded 400 million pounds, actual weight. All bids submitted under this invitation were rejected, however, and a new sales policy probably will be announced within a short time. Under the selling policy now in effect, all CCC wools are sold at appraised values which are based on OFA ceiling prices for domestic wool. Such prices have been about 12 to 20 percent higher than duty paid prices of imported wools. Moderate reductions in selling prices of medium and coarse quality wool were reported from Australia and the United Kingdom at the beginning of November. This change probably will be reflected in prices of imported wool in the United States as prices of imported wool in this country are largely determined by official export prices of British Empire wools.

Although mill consumption of apparel wool has declined sharply from the record high level reached during the first half of the year, total 1945 consumption probably will not differ much from the 1944 consumption of 1 billion pounds, grease basis. Weekly average consumption in August at 16 million pounds (grease basis) was slightly smaller than in July and was 30 percent below the average rate for the first half of the year. The sharp decline in consumption in the summer months resulted largely from workers' vacations, and from the cancellation of Army contracts. Consumption probably will increase during the final months of 1945 and early 1946 as production of civilian fabrics is increased to meet current large consumer demands, and to replenish commercial inventories. Consumption in the first 8 months of 1945 totaled 731 million pounds (grease basis) compared with 680 million pounds in the same period last year. Only 30 percent of the apparel wool used by mills in the first 8 months of the year was domestic wool. In August, only 15 percent was domestic wool.

TOBACCO

In the midst of the marketing season for the largest crop of flue-cured tobacco ever produced, demand for practically all grades continues exceptionally strong with prices at or near the highest level ever received by growers. With about 95 percent of the 1945 crop sold, it appears that the season average price will be about 43.2 cents per pound, compared with 42.4 cents last year, and with 44.4 in 1919, the record high. Following the trend of the past several years, many poor grades of flue-cured are selling about as high as the better grades.

Markets have closed for the season in the Georgia-Florida area after selling the largest crop ever produced. The season average price was 39.3 cents per pound, compared with 36.5 cents last year, and with 39 cents, in 1943, the previous high. Final sales were held in the South Carolina and Border Belt on October 5. Prices paid growers for the 1945 crop averaged almost 44 cents per pound, a record high. So far this season Eastern North Carolina markets have averaged about 43.9 cents per pound, and Middle and Old Belt markets of North Carolina and Virginia about 43.4 cents, the highest since 1919. In all markets there has been considerable pressure on the belt-wide ceilings.

Burley markets are scheduled to open December 3 for sale of the 1945 crop, Green River November 27, One Sucker November 28, and Virginia fire-cured December 10. In view of the strong demand for flue-cured and the generally favorable tobacco outlook, prices of these types are expected to be high again this season.

Although stocks of flue-cured and burley, the major cigarette types, are larger now than in prewar years, they, as well as stocks of Maryland, dark and cigar tobacco are low in relation to current and prospective requirements. Although disappearance of tobacco during 1944-45 season was at a record level, it was exceeded by production in 1945. With the record 1945 crop of over 2 billion pounds now entering stocks, the supply is larger than a year ago, and with some decline in disappearance in 1945-46 in prospect; stocks may be somewhat larger a year hence.

Domestic consumption of most tobacco products is continuing near the high wartime level, although some decline since V-J Day is indicated by data on sales of revenue stamps. Tax-paid withdrawals during September were slightly below August, but all products showed substantial increases during the first nine months of 1945 over the same period of 1944. Tax-paid withdrawals of cigarettes during August totaled almost 28-1/2 billion, the largest for any month in history. The large increase over July is attributable mainly to the building up of dealer inventories, although domestic consumption may have increased also. During September 1945, cigarette withdrawals were 2 billion below August 1945 but 32 percent above September 1944 when domestic supplies were short of demand. Tax-paid withdrawals of cigars during September 1945 totaled 427 million, 1 percent below August, but 7 percent above September 1944. Withdrawals of manufactured tobacco (chewing and smoking) during September totaled about 24 million pounds, compared with 25 million during August and with 22 million pounds during September 1944. Withdrawals of snuff during September 1945, were 10 percent below August, but 4 percent above September 1944.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1944		1945			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial Production <u>1/</u>	1935-39:						
Total	= 100 :	235	232	210	187	172	---
All manufactures	" :	252	248	222	195	178	---
Durable goods	" :	353	344	293	243	208	---
Nondurable goods	" :	171	169	165	157	154	---
Minerals	" :	140	143	143	141	135	---
Construction activity <u>1/</u>	1935-39:						
Contracts, total	= 100 :	71	73	94	106	117	---
Contracts, residential	" :	39	32	56	59	61	---
Wholesale prices <u>2/</u>	1935-39:						
All commodities	= 100 :	129	129	131	131	131	---
All commodities except farm and food	" :	121	122	123	123	123	---
Farm products	" :	162	162	170	167	164	---
Food	" :	133	132	135	135	133	---
Prices received and paid by farmers <u>3/</u>	1910-14: = 100 :						
Prices received, all prod.	" :	195	194	206	204	197	199
Prices paid, int. and taxes	" :	170	170	173	173	174	175
Parity ratio	" :	115	114	119	118	113	114
Consumers' price <u>5/</u> <u>6/</u>	1935-39:						
Total	= 100 :	126	126	129	129	129	---
Food	" :	136	136	142	141	139	---
Nonfood	" :	120	121	123	123	124	---
Income	1935-39:						
Nonagricultural payments <u>4/</u>	= 100 :	231	234	240	233	227	---
Cash farm <u>3/</u>	" :	248	262	282	274	257	---
Income of Industrial Workers <u>3/</u> ..	" :	329	324	287	261	225	---
Factory payrolls <u>5/</u>	" :	361	357	305	274	230	---
Weekly earnings of factory workers <u>5/</u>	Dollars :						
All manufacturing	" :	46.08	46.94	45.42	41.81	---	---
Durable goods	" :	52.07	53.18	50.60	45.89	---	---
Nondurable goods	" :	37.12	37.97	38.58	36.61	---	---
Employment							
Total civilian <u>7/</u>	Millions:	51.8	52.2	8/54.3	53.5	51.2	51.9
Employees in nonagri. est. <u>5/</u> ...	Thous. :	38,682	38,360	37,229	37,015	35,344	34,908
Farm <u>3/</u>	" :	10,037	11,839	11,100	10,612	10,907	11,052
Government finance (Federal) <u>9/</u> ...	Mil. dol.:						
Receipts, net	" :	3,702	2,001	2,695	2,997	5,189	2,530
Expenditures	" :	8,097	8,024	8,557	7,354	6,611	5,950

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U.S. Dept. of Labor, B. L. S. 3/ U.S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U.S. Dept. of Commerce. 5/ U.S. Dept. of Labor, B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ Beginning July 1945 figures are on a new basis and therefore are not comparable with the previous figures. 9/ U.S. Dept. of Treasury.

Data for 1944 are on average monthly basis.